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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## **School Property Tax Control Board Meeting Minutes September 18, 2008**

**Call to Order:** The monthly meeting of the School Property Tax Control Board was held on Thursday, September 18, 2008 at 10:00 am. The meeting was held in the Indiana Government Center South, Conference Center Room A, 302 West Washington Street, Indianapolis, IN 46204. Those in attendance were Denise Seger, Richard Besinger, David Bowen, Paul Joyce, Roger Umbaugh, Morris Mills, Tony Samuel, Chuck McLean (Administrative Officer), and Linette Pedigo (Administrative Secretary).

**Minutes and Discussion:** Mr. Mills began by calling for any changes or corrections to the July 17, 2008 minutes. Hearing none, Mr. Umbaugh motioned to approve the minutes as submitted. Mr. Besinger seconded, and the minutes passed by a vote of 6-0. Mr. Mills then asked if there are any changes or corrections to the August 21, 2008 minutes. Hearing none, Mr. Besinger motioned to approve the minutes as submitted. Mr. Bowen seconded, and the minutes passed by a vote of 6-0. Mr. Samuel was not present for these votes.

Mr. Mills asked if today's school project is the last one to be heard by the Board, and Mr. McLean said there are two schools that have petitioned to be heard at next month's meeting. Mr. Mills said he will be unable to attend the meeting on October 16. Mr. Umbaugh asked if it would be possible to combine the two meetings in October, and Mr. McLean said he would look into it.

**Porter Township Community School Corporation, Porter County:** The school is requesting approval to issue a lease with the Porter Township School Corporation in the amount of \$51,355,000 with maximum annual payments of \$4,795,000 for a term of twenty-five (25) years. The project is comprised of the remodeling of Boone Grove Elementary School, a K-3 facility; the remodeling of Porter Lakes Elementary, a K-3 facility; additions, subtractions, and remodeling of space in Boone Grove Middle/High School; and the remodeling of Boone Grove Middle School. Upon completion, the unit will have added approximately 102,000 square feet.

Project costs: \$51,355,000  
Applied to Debt: 0  
Annual Payment: \$4,795,000

Tax Rate Impact:  
2006 AV \$511,874,654

Levy Needed                \$1,780,000\*  
Est. Tax Rate             0.7432\*

Meeting and publication dates:

Date of Publication of the 1028 Hearing	04/04/2008
Date of 1028 Hearing	04/17/2008 (5-0)
Date of the Notice for the Preliminary Determination Hearing	04/17/2008
Date of Publication of the Preliminary Determination	04/21/2008
Auditor's Certificate of No Remonstrance	05/29/2008
Proof of Publication of Notice on Hearing of Lease	07/21/2008
Excerpts & Minutes Approving Form of Financing	08/07/2008

Common Construction Wage Hearing Held: 08/04/2008                Vote: 2-0-1

\*First year only

**Present for the hearing:** Thomas Keevin, President; Nichole Kovacik, Board Vice President; Johanna Williams, Board Secretary; Steve Tobias, Director of Facilities; Aline Busse, Business Manager/Treasurer; Glenn Adler, Resident; Mike Poynter, Resident/Teacher; Woodrow G. PeRossett, Principal BGHS; Kevin R. Donnell, Principal Porter Lakes; Sue Jones, Resident/Teacher; Kathy C. Sherman, Resident/Teacher/Porter Township Board; Sandra A. Hall, Resident; Steve Tafflinger, 5<sup>th</sup> Grade Teacher/President-Union; Terry Tafflinger, 4<sup>th</sup> Grade Teacher/Task Force Committee Member; Tom Neff, Architect; Mary Ellen Wolf, Architect; Bart York, Construction Manager; Colette Irwin-Knott, Financial Advisor; Joshua Nifong, Financial Advisor; Nick Brown, Superintendent; and Thomas Peterson, Bond Counsel.

**Comments:** Mr. Nick Brown, Superintendent, began and said they started this process with a series of studies, the first one being a demographics study which showed they are a growing community. They also conducted a feasibility study to look at their programming needs, both academic and athletic, because they feel programming needs should dictate their facility needs. He said that through the feasibility study, they found there was strong community support for the schools and a desire to update the schools. The study showed that they are at functional capacity at their elementary schools, and it suggested that they should do a long-range facilities plan. In trying to find a solution to the problem, they developed a Task Force Committee which considered many options, such as redistricting and additions. They held public forums on the matter, and then came up with a recommendation that allows them to meet both their facility and programming needs. It allows them to be more efficient with their staff and allows them to plan for potential future needs. The recommendation was to put an addition on the high school and move grades 7 and 8 there. This would make it a combined campus which would cut down on teacher travel time. The middle school will house grades 4-6, but will run more like an elementary school. The elementary schools will become K-3 facilities, which will provide space for their current needs and for future growth. He added that the high school is being designed so that it can be converted back to a true high school if needed down the road (grades 9-12). He said that all buildings will also be renovated with current technology as well. Mr. Brown summarized that this plan meets their current needs, their future needs, and their program needs. He said that

through this process, there was never a remonstrance or any issues brought up at the 1028 Hearing. They advertised beyond the minimum and always asked for public input.

Ms. Johanna Williams, Board Secretary, took the floor next and spoke of her support for the project. She said that the school is the center of their community. One of the biggest concerns of the community right now is the fact that they have portables at one of their elementary schools. She said they need to resolve this because of concerns over security.

Mr. Steve Tobias, Director of Facilities, spoke next about his support for the project. As a member of the feasibility committee, he said they looked at all their options, and this final project is the common sense approach and solution to their problem. He reiterated the fact that there are four portables right now at Porter Lakes Elementary. He said this project will touch all the buildings, and added that they have always taken very good care of their buildings through their Capital Projects Fund.

Ms. Terry Tafflinger, 4<sup>th</sup> Grade Teacher/Task Force Committee Member, then took the floor and stated her support for this project. She talked about options considered by the Task Force and said the consensus is the plan being presented today. This will cause several changes to be made for teachers, but this is for the children.

Ms. Colette Irwin-Knott talked next about the financing and the tax impact for this project. Regarding existing funds, some bonds will be paid off in 2009, some in 2014, and the high school's will be paid off in 2018. She said this project is broken down into three series of bonds; the first is for \$34,580,000 and will be issued in 2009 with the tax impact coming on in 2010. The second series will be issued in 2011 for \$11,285,000, and the third series will be issued in 2013 for \$5,490,000. She did say that the amortization schedule presented to the Board represents a "worst case scenario," as the interest rates are 1% higher than today's rates and it assumes no AV growth since 2007 (2008 AVs are not yet available). For the tax impact of this project, she said it will not come on until 2010. The impact of this project in 2010 will be approximately 34.7 cents, 45 cents in 2011, 68 cents in 2012, 71 cents in 2013, and growing to 84 cents by 2015. In 2010, there will be approximately 39 cents of an existing debt service tax rate, and with this project, the total debt service tax rate will be about 74.3 cents. Ms. Irwin-Knott further explained that, at today's interest rates, instead of the worst-case scenario being presented, the annual payment will be \$4,352,000; a reduction of \$442,000. She said they have assumed a 3% growth over the next 10 years. This also affects their presented tax rate, which would decrease about 10 cents.

Ms. Irwin-Knott then talked about the circuit breaker impact of this project. After giving some information on HEA 1001, she said the impact will be \$194,000, though it will not be fully shared by the school corporation; \$141,000 is the school's share. Of the funds that are allowed to bear the circuit breaker loss, the Capital Projects Fund will lose an estimated \$82,000, the Transportation Fund will lose approximately \$55,000, and the Bus Replacement Fund will lose about \$3800. She said they made this assumption based on the levies of these funds, but the school feels they can handle this loss. Mr. Mills asked if this new debt service is included in these figures, and Ms. Irwin-Knott said yes. Mr. Bowen asked when these figures will take place, and Ms. Irwin-Knott said in 2010, when 1001 takes full effect. Mr. Umbaugh said the

concern is four to five years from now when the rest of the debt kicks in. Ms. Irwin-Knott said the impact may be slightly greater in those years, but these numbers do not assume any AV growth. Mr. Bowen said that in 2010, the average tax impact on a homeowner goes from \$30 to \$72; he figured that this would take them over the 1% with these figures. He said this exceeds the maximum per homeowner, but would like to see the projection for 2014. Ms. Irwin-Knott said she can provide that information.

Mr. Mills asked what the assessed valuation makeup is in the township. Ms. Irwin-Knott said it is heavily residential and agricultural. Mr. Mills said they will only get a 1% taxable increase for most of the properties then, and Mr. Brown said he believes that to be the case. He said their township is historically a farming community, though it is turning more residential.

Mr. Besinger said even though the State is going to pick up the General Fund, their total rate will only be a little lower. He said property tax relief of the General Fund was supposed to help the taxpayer, but he feels school corporations are using that to convince the public that building projects will hardly increase their taxes. Someone has to pay for this debt, and it will be the taxpayer. Regarding capacity, he said their high school has a capacity of 1100. If they remodel, they will have 60 rooms. With an average class size of 30 students, their capacity could be 1800. It looks to him that they have more facilities than they need for their growth. He then commented that they are spending \$256,184 on furniture for the teachers in the middle and high school, and \$173,640 on furniture for the administration. He said this must be some really nice furniture, but he thought this project was for the kids. Ms. Irwin-Knott asked how he came up with those numbers. Mr. Besinger said he totaled up the information that they provided on the Hearing Information Sheet. A respondent from Schmidt Associates said those numbers include teachers' desks and workstations; he added that furniture for technology is a part of those numbers as well.

Mr. Bowen asked next what their current enrollment is for grades 7-12; he said they have provided conflicting data. Mr. Brown said there are 811 students. Mr. Bowen asked what justifies the plan for a capacity of 1100. Mr. Brown said 1100 is their 10-year projection of enrollment. Mr. Besinger asked how many students per classroom they figure when considering capacity. Mr. Bowen said his question was not answered; he asked if the addition was designed so they could accommodate 1100 students or if they designed the building and decided it could hold 1100 students. The respondent from Schmidt Associates said they looked at their space needs versus their programs offered, and they figured about 24-26 students per classroom. Mr. Besinger said if they figured 26 students per classroom at 60 stations, that gives them a capacity of 1560. He said they are projecting a smaller number, but the school can hold more. Having 811 students in a building with a capacity of 1560, they will be at about half capacity. He said this will be very costly to the taxpayer; a lot of utilities and maintenance. He asked if they will have the money to support this without another tax appeal. He added that even at 24 students per classroom, their capacity will still be at 1440.

Mr. Umbaugh asked why they separated this project into three separate bond issues. Ms. Irwin-Knott said they did this so they would only have to borrow money when they need it; the projects will be done at three separate points in time. Mr. Umbaugh wanted to clarify that this would reduce the interest cost, and Ms. Irwin-Knott said that was correct.

Mr. Brown said he had letters of support for this project that he submitted to Mr. McLean.

Mr. Glenn Adler, resident and member of the facilities task force, took the floor and stated that everyone was pleased with the outcome. He said the school system is the focal point of the community, and everyone is excited about this project.

**Motion:** Mr. Mills said with their proposed tax rate of \$2.02 and an assumed AV makeup of 75% residential, there is no way they can fund this under the new tax laws. He therefore motioned to not recommend approval of this project. Mr. Besinger seconded the motion.

Mr. Umbaugh said one of the problems is the schools have to forecast a higher interest rate, but when they see what they think will actually happen, he believes it will be okay. Mr. Mills said he does not think so, unless the AV makeup he assumed is different. Mr. Mills asked if his assumption of 75% residential sounds about right. Mr. Brown said he would like to double check the numbers, but he knows it is higher than 50%. Mr. Mills reiterated that he feels this project cannot be funded at the present time. Mr. Besinger said he thinks there is just too much building there for their enrollment. Mr. Mills said anytime a school gets up to 13% debt on their AV, there is a dollar right there. He added that he feels they will also have trouble with their transportation levy because of the circuit breaker.

Dr. Seger asked, based on the current motion, if they are asking the school to revise information for the Commissioner. Mr. Mills said their recommendation is that the project cannot be approved as submitted; the Board does not negotiate what changes should be made.

Mr. Mills called for a vote, and the motion carried by a vote of 5-2. Dr. Seger and Mr. Umbaugh casted the dissenting votes.

**Additional Comments:** Mr. Mills said the negotiations are now between the school and the DLGF. He said they need to figure out what they can afford and that their circuit breaker argument was not very convincing. Mr. Joyce said he agrees with their proposal and feels it is a good idea, but they must be able to afford it. Mr. Mills said that under the current structure, there is no room for the tax rates. Mr. Besinger commented that they need to cut back what they cannot afford; they need to cut some out of their high school facility.